

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CEDAR HILLS)	
SANITATION, INC., FOR AUTHORITY TO)	
ACQUIRE AND OPERATE THE ASSETS OF CEDAR)	CASE NO. 90-164
HILLS SANITATION FOR CEDAR HILLS)	
SUBDIVISION, DAVIESS COUNTY, KENTUCKY)	

O R D E R

This matter arises upon the June 5, 1990 filing of the application of Cedar Hills Sanitation Disposal Corporation ("Cedar Hills") and William and Martha Herrell (the "Herrells") for Commission approval of a transfer of the stock of Cedar Hills from present stockholders Maurice Burton and Citizens State Bank to the Herrells. The board of directors of Cedar Hills unanimously approved a plan for redemption of the stock held by Mr. Burton and the Bank and the subsequent issuance of one share of stock each to William and Martha Herrell. The details of the redemption of stock are set forth in the minutes of the June 1, 1990 board of directors meeting filed with the application. All information required by the Commission has been filed including the adoption notice required by 807 KAR 5:011, Section 11.

KRS 278.020(4) provides that the Commission shall approve the transfer "if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service." In applying the statutory standard, the Commission notes that the application reflects extensive financial,

managerial, and technical experience on the part of the Herrells. The Herrell's have owned and operated the Friendly Park Development Company, a wastewater treatment facility regulated by this Commission, for 11 years and have also owned and operated the Green Acres Mobile Home Park for the same length of time. Mr. Herrell has extensive managerial and financial experience as a result of 33 years in banking. In addition, Mr. Herrell is a Class I Certified Operator with 11 years experience in the operation of a sewerage utility.

Appropriate accounting entries should be made on the books of Cedar Hills to reflect the transfer of stock and assets. Cedar Hills should maintain its books of account in accordance with the Uniform System of Accounts for Sewer Utilities ("USoA") prescribed by this Commission. Accounting for an acquisition includes:

- a. Recording the utility plant acquired at its original cost, estimated if not known, to the person first devoting it to public service in the appropriate utility plant in service accounts.
- b. Crediting the accumulated provision for depreciation and amortization applicable to the original cost of the properties acquired to the appropriate account for accumulated depreciation and/or amortization.
- c. Transferring the cost of any non-utility property to Account No. 121 - Non-utility Property.
- d. Crediting contributions in aid of construction, estimated if not known, to Account No. 271 - Contributions in Aid of Construction.

e. Including in Account No. 108 - Utility Plant Acquisition Adjustment, any difference between the purchase price and the original cost of the utility plant less the amounts credited to accumulated depreciation and amortization reserves of contributions in aid of construction.

f. The offsetting account for each of these entries is Account No. 106 - Utility Plant Purchased or Sold.

In this instance the proper journal entries to record this transaction in accordance with the Utility Plant Instruction No. 4 of the USoA are as follows:

	<u>Debit</u>	<u>Credit</u>
Plant Purchased or Sold Common Stock	\$ 100	\$ 100
Utility Plant in Service Plant Purchased or Sold	100,389	100,389
Plant Purchased or Sold Accumulated Depreciation	70,260	70,260
Plant Purchased or Sold Plant Acquisition Adjustment	30,029	30,029

After consideration of the record and being otherwise sufficiently advised, the Commission finds that the Herrells possess the financial, managerial, and technical expertise to provide reasonable service to the customers served by Cedar Hills. The Commission further finds that appropriate accounting entries should be made on the books of Cedar Hills to adequately reflect the transfer.

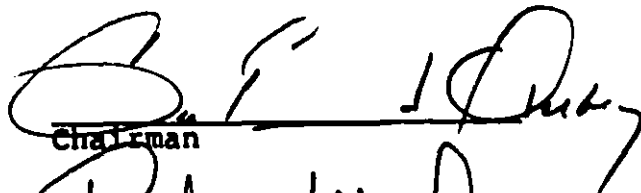
IT IS THEREFORE ORDERED that:

1. The transfer of Cedar Hills be and it is hereby approved.

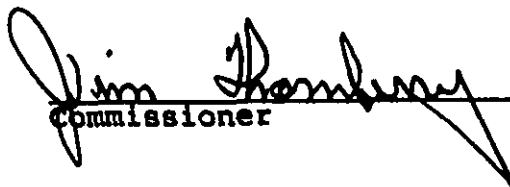
2. Within 20 days of the date of this Order, the Herrells shall file the appropriate accounting entries to reflect the transfer of Cedar Hills to the purchasers.

Done at Frankfort, Kentucky, this 29th day of August, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director